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INFO RUCNMEM/EU MEMBER STATES COLLECTIVE  
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RUEHBJ/AMEMBASSY BEIJING 1980  
RUEHBY/AMEMBASSY CANBERRA 2633  
RUEHIL/AMEMBASSY ISLAMABAD 0970  
RUEHKL/AMEMBASSY KUALA LUMPUR 0149  
RUEHMO/AMEMBASSY MOSCOW 1704  
RUEHNE/AMEMBASSY NEW DELHI 0569  
RUEHOT/AMEMBASSY OTTAWA 5121  
RUEHKO/AMEMBASSY TOKYO 1741  
RUEHMD/AMCONSUL BARCELONA 0021  
RUEHBD/AMCONSUL PERTH 0001  
RUEHUNV/USMISSION UNVIE VIENNA 0118

C O N F I D E N T I A L SECTION 01 OF 02 THE HAGUE 000246

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STATE FOR EUR/UBI (RREITER), EB/ESC (JEIGHMIE)

E.O. 12958: DECL: 02/08/2017

TAGS: [ETTC](#) [EPET](#) [ENRG](#) [PREL](#) [CH](#) [IR](#) [SP](#) [NL](#)

SUBJECT: ILSA: DUTCH, SHELL ON SOUTH PARS GAS DEAL WITH IRAN

REF: A. STATE 12713

[1](#)B. ENSTROM/HEUNG-EIGHMIE/REITER EMAILS

[1](#)C. 06 THE HAGUE 2654

Classified By: AMBASSADOR ROLAND ARNALL,  
REASONS 1.4 (B) AND (D)

[1](#)1. (U) This is an action request; please see para 10.

[1](#)2. (C) SUMMARY. Shell CEO van der Veer confirmed to the Ambassador on February 7 that no deal was expected on the South Pars LNG project until 2008 at the earliest. Van der Veer said his recent public comments on political concerns related to the project were not well received in Teheran. Meanwhile, GONL officials reiterated support for targeted sanctions against Iran but remained non-committal about any action against Shell or any public comments on investment projects in Iran at this juncture. Post requests further information on possible U.S. pension legislation related to investments in Iran's energy sector. END SUMMARY.

SHELL PUBLICLY NOTES POLITICAL CONCERNS  
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[1](#)3. (C) On February 7, the Ambassador raised ref A points regarding USG concerns over the proposed Royal Dutch Shell and Repsol of Spain LNG project in Iran with Shell CEO Jeroen van der Veer. The Ambassador raised similar points with van der Veer on January 19, immediately following press announcements about the planned investment project. The Ambassador noted concerns in Congress about investment activities in Iran, including Congressman Tom Lantos' recent statement during hearings on Next Steps in the Iran Crisis. He said the USG valued the close and frank communication that existed between Shell and Washington agencies on this issue. He said the USG had also noted van der Veer's February 1 public comments to Reuters on political concerns related to the project (ref B).

[1](#)4. (C) Van der Veer said his public comments had not been well received in Teheran. He confirmed that no final decision was expected on the South Pars LNG project until [1](#)2008. Moreover, he fully expected the Iranians to initiate last-minute changes in the final terms of the agreement, which would result in further delaying any final decision.

¶5. (C) Van der Veer said Shell understood USG concerns, adding that Shell's primary motive in the South Pars project was a need to keep China out. The Ambassador countered that Shell's more sophisticated and advanced technology was clearly more attractive to Iran. Van der Veer assured the Ambassador that Shell would continue to follow a go-slow approach with the project and keep the USG briefed on any new developments.

GONL NON-COMMITTAL ON PUBLIC COMMENT  
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¶6. (C) On February 5, EconCouns discussed ref A points with Koen van der Wolk, Head of the Emerging Markets Division, Directorate General for Foreign Economic Relations, Dutch Ministry of Economic Affairs (MEA). She held a separate meeting the same day with Foreign Affairs Ministry (MFA) officials Gert Heijkoop, Deputy Director of the Middle East Division in the Middle East Department, Loek ten Hagen, Senior Policy Officer for Gulf State Affairs, and Femke Hoogeveen, Senior Policy Advisor in the Energy, Economic and Environmental Affairs Department. Roderick Wols, Deputy Chief of Mission to the Dutch Embassy in Teheran, also sat in on the meeting. EconCouns shared copies of van der Veer's public comment and Lantos' statement with these officials.

¶7. (C) Both MEA and MFA officials confirmed that Shell briefed them on a regular basis about the South Pars project. Heijkoop reiterated GONL support for the implementation of UNSCR 1737, including targeted sanctions against the assets and travel of individuals associated with Iran's nuclear program. However, both MEA and MFA officials said the GONL

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was not prepared to take any steps at this juncture that would limit Shell activities in the region.

¶8. (C) Heijkoop noted that the GONL shared USG concerns and said he would consult further about the possibility of a GONL public comment or signal about concerns of moving forward with major new investment projects in Iran. Van der Wolk questioned whether a GONL public comment would be constructive at this point, stressing that Shell was clearly taking a go-slow approach on this and related projects such as in Yadavaran (see ref C). He also asked for further information on possible legislation that would encourage pension funds to divest any shares held in companies that invest in Iran's energy sector.

COMMENT: IT'S A BALANCING ACT  
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¶9. (C) Van der Veer's willingness to acknowledge publicly concerns over the South Pars project strongly suggests that the company realizes the need to balance its long-term commercial interests against continuing good relations with the USG. The GONL, meanwhile, appears reluctant to weigh in publicly at this point but remains fully engaged in the issue. Post will continue to consult with Shell and GONL contacts on this issue.

ACTION REQUESTED:  
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¶10. (C) In response to the MEA request (para 8), Post would appreciate any additional information that Washington can provide on possible legislation mentioned in ref A that would encourage pension funds to divest in shares held in companies that invest in Iran's energy sector.

ARNALL